

Message Text

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PAGE 01 HELSIN 01355 080852Z

11

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 FEA-02

INT-08 DRC-01 /193 W

----- 038206

R 080800Z JUL 74

FM AMEMBASSY HELSINKI
TO SECSTATE WASHDC 7632
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY MOSCOW
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE HELSINKI 1355

E.O. 11652: N/A

TAGS: ECON, ETRD, FI, SU

SUBJECT: FINNS AND USSR UNABLE TO AGREE ON CRUDE OIL
PRICES

REF: HELSINKI 1231 (NOTAL)

1. SUMMARY: THE FINNISH-USSR NEGOTIATIONS ON THE PRICE
OF CRUDE OIL HAVE BEEN RECESSED UNTIL LATE SUMMER.
FINNS BELIEVE SOVIET DEMANDS ARE TOO HIGH BUT HAVE
LITTLE BARGAINING POWER. END SUMMARY.

2. DURING LUNCH BY AMBASSADOR FOR VISITING LUMMUS
COMPANY CHAIRMAN OF THE BOARD JAMES F. THORNTON,
MANAGING DIRECTOR UOLEVI RAADE OF THE GOVERNMENT-
OWNED OIL COMPANY NESTE OY, CONFIDED TO ECONOMIC
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PAGE 02 HELSIN 01355 080852Z

COUNSELOR THAT CRUDE OIL PRICE NEGOTIATION WITH

USSR TO SET PRICE FOR JULY-DECEMBER 1974 HAD GONE BADLY. HE HAD JUST RETURNED FROM SECOND NEGOTIATING VISIT TO MOSCOW. SITUATION IS THAT AS HE PUT IT USSR AND FINLAND HAVE "AGREED TO DISAGREE". SOVIETS WILL CONTINUE TO DELIVER OIL AT NOMINAL PRICE SUBJECT TO REVISION LATER. NEXT MEETING WILL PROBABLY BE IN HELSINKI IN SEPTEMBER.

3. RAADE SAID SOVIETS HAD EXAGGERATED IDEA OF "WORLD" OIL PRICES, BASING THEIR DEMANDS ON MEDITERRANEAN RATHER THAN PERSIAN GULF PRICES. SOVIETS HAD MADE FOR POLITICAL REASONS SEVERAL BAD DEALS TO PURCHASE LIBYAN AND ALGERIAN OIL. ALSO GERMANS AND ITALIANS ARE MORE ABLE THAN FINLAND TO PAY HIGH PRICES BECAUSE SOURCES ARE CLOSER. BECAUSE OF HIGHER TRANSPORT COSTS, FINLAND COULD NOT AFFORD TO PAY SO MUCH.

4. COMMENT: FROM FINNISH STANDPOINT, ADVANTAGE OF DELAY IN SETTING PRICE FOR SECOND HALF 1974 IS HOPE OF GENERAL DECREASE IN CRUDE PRICES IN NEXT SEVERAL MONTHS. HOWEVER, THE MORE CRUDE FINLAND IMPORTS AT AN UNDETERMINED PRICE, THE LESS BARGAINING POWER IT HAS--AND IT HAS LITTLE, OTHER THAN POSSIBLE SOVIET AVERSION TO BEING PUBLICLY EXPOSED AS HAVING FORCED EXCESSIVELY HIGH PRICES UPON FINLAND.
KREHBIEL

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